

CITY OF OVERBROOK, KANSAS

STATUTORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2011

And

INDEPENDENT AUDITORS' REPORT

Long CPA, PA
A Professional Association
Certified Public Accountants

CITY OF OVERBROOK, KANSAS

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

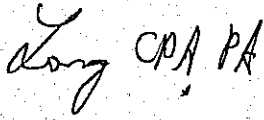
We have audited the financial statements of the City of Overbrook, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City, as of December 31, 2011, and its cash receipts and expenditures, budgetary comparisons, and changes in long-term debt and long-term debt maturities for the year then ended, on the basis of accounting described in Note 1.

A handwritten signature in black ink that reads "Long CPA, PA". The signature is written in a cursive, flowing style.

Long CPA, PA
A Professional Association
Certified Public Accountant

June 4, 2012

CITY OF OVERBROOK, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2011

| Funds | Prior Year Cancelled Encumbrances | Cash Receipts | Expenditures | Ending Unencumbered Cash Balance | Add Outstanding Encumbrances and Accounts Payable | Ending Cash Balance |
|---------------------------------|---|------------------|--------------|--|---|------------------------|
| Governmental Type Funds: | | | | | | |
| General Funds | \$ | \$ | \$ | \$ | \$ | \$ |
| General | 315,483 | 273,507 | 302,784 | 286,206 | 0 | 286,206 |
| Special Revenue Funds | | | | | | |
| Public Safety | 15,685 | 111,160 | 126,845 | 0 | 0 | 0 |
| Street maintenance | 31,694 | 19,548 | 13,187 | 38,055 | 0 | 38,055 |
| Library | 0 | 44,333 | 44,333 | 0 | 0 | 0 |
| Special highway | 69,962 | 25,761 | 0 | 95,723 | 0 | 95,723 |
| Water/Sewer reserve | 15,000 | 15,000 | 0 | 30,000 | 0 | 30,000 |
| Equipment reserve | 46,664 | 21,046 | 33,286 | 34,424 | 0 | 34,424 |
| Employee benefit reserve | 30,830 | 0 | 0 | 30,830 | 0 | 30,830 |
| Debt Service Funds | | | | | | |
| Bond & Interest | 4,202 | 83,111 | 84,228 | 3,085 | 0 | 3,085 |
| Proprietary Type Funds: | | | | | | |
| Water and Sewer Utility | 144,914 | 457,305 | 443,686 | 158,533 | 0 | 158,533 |
| Pool | 13,123 | 49,840 | 36,449 | 26,514 | 0 | 26,514 |
| Capital projects | | | | | | |
| Lake fund | 0 | 88,522 | 146,822 | (58,300) | 0 | (58,300) |
| Sewer grant | (246,475) | 255,079 | 183,903 | (175,299) | 0 | (175,299) |
| Street project | 245,574 | 296,182 | 541,756 | 0 | 0 | 0 |
| Water line | (14,418) | 44,890 | 30,472 | 0 | 0 | 0 |
| Subtotal | 672,238 | 1,785,284 | 1,987,731 | 469,771 | 0 | 469,771 |
| Component Unit: | | | | | | |
| Library | 33,655 | 76,204 | 77,041 | 32,818 | 0 | 32,818 |
| Recreation commission | 7,914 | 17,516 | 22,810 | 2,620 | 0 | 2,620 |
| Total Reporting Entity | \$ 713,807 | \$ 1,879,004 | \$ 2,087,602 | \$ 505,209 | \$ 0 | \$ 505,209 |
| Composition of Cash | | | | | | |
| | | | | Checking Accounts | | \$ 422,257 |
| | | | | Savings Accounts | | |
| | | | | Petty Cash | | |
| | | | | Municipal Investment Pool | | |
| | | | | Certificates of Deposit | | 82,952 |
| | | | | Total Component Unit | | |
| | | | | Total Reporting Entity | | \$ 505,209 |

The notes to the financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2011

| <u>Funds</u> | <u>Certified Budget</u> | <u>Adjustments to Comply with Legal Max</u> | <u>Adjustments for Qualifying Budget Credits</u> | <u>Total Budget for Comparison</u> | <u>Expenditures Chargeable to Current Year</u> | <u>Variance - Favorable (Unfavorable)</u> |
|--------------------------------|-----------------------------|---|--|--|--|---|
| <u>Governmental Type Funds</u> | | | | | | |
| General Funds | | | | | | |
| General | \$ 459,992 | \$ 0 | 0 | \$ 459,992 | \$ 302,784 | \$ 157,208 |
| Special Revenue Funds | | | | | | |
| Public safety | 149,000 | 0 | 0 | 149,000 | 126,845 | 22,155 |
| Street maintenance | 35,000 | 0 | 0 | 35,000 | 13,187 | 21,813 |
| Library | 48,000 | 0 | 0 | 48,000 | 44,333 | 3,667 |
| Special highway | 68,772 | 0 | 0 | 68,772 | 0 | 68,772 |
| Debt Service Funds | | | | | | |
| Bond and Interest | 87,228 | 0 | 0 | 87,228 | 84,228 | 3,000 |
| Proprietary Type Funds | | | | | | |
| Water and Sewer utility | 538,478 | 0 | 0 | 538,478 | 443,686 | 94,792 |
| Pool | 36,506 | 0 | 0 | 36,506 | 36,449 | 57 |

The notes to the financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

| | Actual | Budget | Variance- Favorable (Unfavorable) |
|---|-------------------|-------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ 60,229 | \$ 59,005 | \$ 1,224 |
| Delinquent tax | 527 | 1,000 | (473) |
| Motor vehicle tax | 8,833 | 8,145 | 688 |
| RV tax | 148 | 156 | (8) |
| 16/20M vehicle tax | | 45 | (45) |
| Franchise fees | 38,205 | 30,000 | 8,205 |
| Intergovernmental revenues | 2,809 | 4,423 | (1,614) |
| Sales tax | 143,756 | 155,000 | (11,244) |
| Licenses, rent, permits | 1,865 | 2,000 | (135) |
| Municipal court | 6,229 | 6,000 | 229 |
| Interest income | 1,860 | 3,000 | (1,140) |
| Miscellaneous revenues | 9,046 | 5,000 | 4,046 |
| Operating transfers | | | 0 |
| Total Cash Receipts | <u>273,507</u> | <u>273,774</u> | <u>(267)</u> |
| EXPENDITURES | | | |
| General government | | | |
| Personnel services | 75,069 | 75,000 | (69) |
| Commodities | 27,153 | 70,000 | 42,847 |
| Contractual | 41,175 | 55,000 | 13,825 |
| Public safety | 16,647 | 20,000 | 3,353 |
| Highways and streets | 15,416 | 10,000 | (5,416) |
| Recreation and culture | 31,145 | 45,000 | 13,855 |
| Capital outlay | | 159,005 | 159,005 |
| Operating transfers | 96,179 | 25,987 | (70,192) |
| Adjustment for qualifying budget credits | | | 0 |
| Total Expenditures | <u>302,784</u> | <u>\$ 459,992</u> | <u>\$ 157,208</u> |
| Receipts Over (Under) Expenditures | (29,277) | | |
| Unencumbered Cash, Beginning | 315,483 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 286,206</u> | | |

The notes to the financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS
LAW FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

| | Actual | Budget | Variance- Favorable (Unfavorable) |
|---|----------------|-------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ 95,598 | \$ 103,994 | \$ (8,396) |
| Delinquent tax | 848 | 1,000 | (152) |
| Motor vehicle tax | 14,095 | 14,235 | (140) |
| RV tax | 235 | 271 | (36) |
| 16/20M vehicle tax | | 77 | (77) |
| Intergovernmental revenue | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | 384 | | 384 |
| Operating transfers | | | 0 |
| Total Cash Receipts | <u>111,160</u> | <u>119,577</u> | <u>(8,417)</u> |
| EXPENDITURES | | | |
| General administration | | | 0 |
| Public safety | | | |
| Personnel services | 108,461 | 120,000 | 11,539 |
| Commodities | 7,997 | 19,000 | 11,003 |
| Contractual | 6,035 | 5,000 | (1,035) |
| Capital outlay | 4,352 | 5,000 | 648 |
| Operating transfers | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| Total Expenditures | <u>126,845</u> | <u>\$ 149,000</u> | <u>\$ 22,155</u> |
| Receipts Over (Under) Expenditures | (15,685) | | |
| Unencumbered Cash, Beginning | 15,685 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 0</u> | | |

The notes to the financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS
STREET MAINTENANCE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

| | Actual | Budget | Variance- Favorable (Unfavorable) |
|---|------------------|------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ 16,961 | \$ 18,454 | \$ (1,493) |
| Delinquent tax | 96 | 100 | (4) |
| Motor vehicle tax | 2,450 | 2,471 | (21) |
| RV tax | 41 | 47 | (6) |
| 16/20M vehicle tax | | 13 | (13) |
| Fuel tax | | | 0 |
| Sales tax | | | 0 |
| Bond proceeds | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | | | 0 |
| Total Cash Receipts | <u>19,548</u> | <u>21,085</u> | <u>(1,537)</u> |
| EXPENDITURES | | | |
| Street project | | | 0 |
| Streets | 13,187 | 35,000 | 21,813 |
| Operating transfers | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| Total Expenditures | <u>13,187</u> | <u>\$ 35,000</u> | <u>\$ 21,813</u> |
| Receipts Over (Under) Expenditures | 6,361 | | |
| Unencumbered Cash, Beginning | 31,694 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 38,055</u> | | |

The notes to the financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS
LIBRARY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

| | Actual | Budget | Variance- Favorable (Unfavorable) |
|---|---------------|------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ 38,368 | \$ 41,739 | \$ (3,371) |
| Delinquent tax | 302 | 500 | (198) |
| Motor vehicle tax | 5,570 | 5,624 | (54) |
| RV tax | 93 | 107 | (14) |
| 16/20M vehicle tax | | 30 | (30) |
| Federal grants | | | 0 |
| State aid/grants | | | 0 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | | | 0 |
| Total Cash Receipts | <u>44,333</u> | <u>48,000</u> | <u>(3,667)</u> |
| EXPENDITURES | | | |
| General government | 44,333 | 48,000 | 3,667 |
| Capital outlay | | | 0 |
| Operating transfers | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| Total Expenditures | <u>44,333</u> | <u>\$ 48,000</u> | <u>\$ 3,667</u> |
| Receipts Over (Under) Expenditures | - | | |
| Unencumbered Cash, Beginning | 0 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 0</u> | | |

The notes to the financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS
SPECIAL HIGHWAY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

| | Actual | Budget | Variance- Favorable (Unfavorable) |
|---|------------------|------------------|---|
| CASH RECEIPTS | | | |
| Intergovernmental revenues | \$ 25,761 | \$ 25,570 | \$ 191 |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | | | 0 |
| | | | 0 |
| Total Cash Receipts | <u>25,761</u> | <u>25,570</u> | <u>191</u> |
| EXPENDITURES | | | |
| General government | | | 0 |
| Highways and streets | | 68,772 | 68,772 |
| Personnel services | | | 0 |
| Commodities | | | 0 |
| Contractual | | | 0 |
| Capital outlay | | | 0 |
| Operating transfers | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| | | | 0 |
| Total Expenditures | <u>0</u> | <u>\$ 68,772</u> | <u>\$ 68,772</u> |
| Receipts Over (Under) Expenditures | 25,761 | | |
| Unencumbered Cash, Beginning | 69,962 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 95,723</u> | | |

The notes to the financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS
BOND AND INTEREST FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

| | Actual | Budget | Variance- Favorable (Unfavorable) |
|---|---------------------|------------------|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad valorem property tax | \$ 64,805 | \$ 70,546 | \$ (5,741) |
| Delinquent tax | 180 | 100 | 80 |
| Motor vehicle tax | 3,075 | 3,105 | (30) |
| RV tax | 51 | 59 | (8) |
| 16/20M vehicle tax | | 17 | (17) |
| Intergovernmental revenues | 15,000 | 7,050 | 7,950 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | | | 0 |
| | <u>83,111</u> | <u>80,877</u> | <u>2,234</u> |
| EXPENDITURES | | | |
| General administration | | | 0 |
| Debt service | 84,228 | 87,228 | 3,000 |
| Operating transfers | | | 0 |
| Adjustment for qualifying budget credits | | | 0 |
| | <u>84,228</u> | <u>\$ 87,228</u> | <u>\$ 3,000</u> |
| Receipts Over (Under) Expenditures | (1,117) | | |
| Unencumbered Cash, Beginning | 4,202 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 3,085</u> | | |

The notes to the financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS
WATER AND SEWER UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

| | Actual | Budget | Variance- Favorable (Unfavorable) |
|---|------------|------------|---|
| CASH RECEIPTS | | | |
| Charges for services | \$ 418,095 | \$ 410,000 | \$ 8,095 |
| Interest income | | | 0 |
| Miscellaneous revenues | 33,210 | | 33,210 |
| Operating transfers | 6,000 | | 6,000 |
| Total Cash Receipts | 457,305 | 410,000 | 47,305 |
| EXPENDITURES | | | |
| Production | | | |
| Personnel services | 69,745 | 83,428 | 13,683 |
| Commodities | 51,387 | 220,995 | 169,608 |
| Contractual | 117,147 | | (117,147) |
| Refuse collection | 105,556 | 140,000 | 34,444 |
| Capital outlay | | | 0 |
| Debt service | | 85,050 | 85,050 |
| Operating transfers | 99,851 | 9,005 | (90,846) |
| Adjustment for qualifying budget credits | | | 0 |
| Total Expenditures | 443,686 | \$ 538,478 | \$ 94,792 |
| Receipts Over (Under) Expenditures | 13,619 | | |
| Unencumbered Cash, Beginning | 144,914 | | |
| Prior Year Cancelled Encumbrances | 0 | | |
| Unencumbered Cash, Ending | \$ 158,533 | | |

The notes to the financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS
POOL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

| | <u>Actual</u> | <u>Budget</u> | Variance- Favorable (Unfavorable) |
|---|------------------|------------------|---|
| CASH RECEIPTS | | | |
| Charges for services | \$ 19,840 | \$ 20,000 | \$ (160) |
| Interest income | | | 0 |
| Miscellaneous revenues | | | 0 |
| Operating transfers | <u>30,000</u> | <u>9,996</u> | <u>20,004</u> |
| Total Cash Receipts | <u>49,840</u> | <u>29,996</u> | <u>19,844</u> |
| EXPENDITURES | | | |
| Operations | | | |
| Personnel services | 28,265 | 27,000 | (1,265) |
| Commodities | 5,259 | 9,506 | 4,247 |
| Contractual | 2,925 | | (2,925) |
| Capital outlay | | | 0 |
| Debt service | | | 0 |
| Operating transfers | | | 0 |
| Adjustment for qualifying budget credits | | | <u>0</u> |
| Total Expenditures | <u>36,449</u> | <u>\$ 36,506</u> | <u>\$ 57</u> |
| Receipts Over (Under) Expenditures | 13,391 | | |
| Unencumbered Cash, Beginning | 13,123 | | |
| Prior Year Cancelled Encumbrances | <u>0</u> | | |
| Unencumbered Cash, Ending | <u>\$ 26,514</u> | | |

The notes to financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2011

| | <u>Lake Fund</u> | <u>Water Grant</u> | <u>Water/Sewer Reserve</u> |
|---|----------------------|------------------------|--------------------------------|
| CASH RECEIPTS | | | |
| Federal grants | \$ 37,678 | \$ | \$ |
| State aid/grants | 6,697 | | |
| City appropriation | | | |
| Charges for services | | | |
| Interest income | | | |
| Miscellaneous revenues | | 28,007 | |
| Operating transfers | <u>44,147</u> | <u>16,883</u> | <u>15,000</u> |
| Total Cash Receipts | <u>88,522</u> | <u>44,890</u> | <u>15,000</u> |
| EXPENDITURES | | | |
| Operations | | | |
| Personnel services | | | |
| Commodities | 50,123 | | |
| Contractual | 96,699 | | |
| Capital outlay | | 18,925 | |
| Debt service | | 11,547 | |
| Operating transfers | | | |
| Adjustment for qualifying budget credits | | | |
| Total Expenditures | <u>146,822</u> | <u>30,472</u> | <u>0</u> |
| Receipts Over (Under) Expenditures | (58,300) | 14,418 | 15,000 |
| Unencumbered Cash, Beginning | 0 | (14,418) | 15,000 |
| Prior Year Cancelled Encumbrances | <u>0</u> | <u>0</u> | <u>0</u> |
| Unencumbered Cash, Ending | <u>\$ (58,300)</u> | <u>\$ 0</u> | <u>\$ 30,000</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2011

| | Employee Benefit Reserve | Sewer Grant | Equipment Reserve |
|---|--------------------------------|---------------------|----------------------|
| CASH RECEIPTS | | | |
| Federal grants | \$ | \$ 181,075 | \$ |
| State aid/grants | | | |
| City appropriation | | | |
| Charges for services | | | |
| Interest income | | | |
| Miscellaneous revenues | | | 11,050 |
| Operating transfers | | 74,004 | 9,996 |
| | <u>0</u> | <u>255,079</u> | <u>21,046</u> |
| Total Cash Receipts | | | |
| EXPENDITURES | | | |
| Operations | | | |
| Personnel services | | | |
| Commodities | | | |
| Contractual | | | |
| Capital outlay | | 108,642 | 33,286 |
| Debt service | | 75,261 | |
| Operating transfers | | | |
| Adjustment for qualifying budget credits | | | |
| | <u>0</u> | <u>183,903</u> | <u>33,286</u> |
| Total Expenditures | | | |
| Receipts Over (Under) Expenditures | 0 | 71,176 | (12,240) |
| Unencumbered Cash, Beginning | 30,830 | (246,475) | 46,664 |
| Prior Year Cancelled Encumbrances | <u>0</u> | <u>0</u> | <u>0</u> |
| Unencumbered Cash, Ending | <u>\$ 30,830</u> | <u>\$ (175,299)</u> | <u>\$ 34,424</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Overbrook, Kansas is a municipal corporation governed by an elected six member council. The City as an entity has been defined to include, on a combined basis, (a) the City of Overbrook, Kansas (b) organizations for which the City of Overbrook, Kansas is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the City of Overbrook, Kansas are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the City's report.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City for the year 2011:

Governmental Funds

General Fund - To account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to be expended for specified purposes.

Debt Service Funds – To account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Proprietary Funds

Enterprise Funds – to account for operations that are financed and operated in a manner similar to private business enterprises—where stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges—or where periodic determinations of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles (GAAP)

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursement, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principle and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with United States generally

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Departure from Generally Accepted Accounting Principles (Continued)

accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

Discretely Presented Component Units

The component unit section of the financial statements includes the financial data of the discretely presented component units. These component units are reported separately to emphasize that they are legally separate from the City. The governing body of these component units is appointed by the City.

Overbrook Community Library

The Overbrook Community Library operates the City's public library. The City annually levies a tax for the Library. The accounting policies of the Overbrook Community Library are the same as those of the City. The accounting records of the Overbrook Community Library have been audited and are included in these financial statements.

Overbrook Recreation Commission

The Overbrook Recreation Commission operates the City's baseball fields. The City council appoints members to the commission. The accounting policies of the Overbrook Recreation Commission are the same as those of the City. The accounting records of the Overbrook Recreation Commission have not been audited.

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. No budgets amendments were noted for the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting. Revenues are recognized when measurable and available to finance current year expenditures. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, trust funds and the following special revenue funds: 1) Capital Improvement Fund,

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (continued)

2) Equipment Reserve Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

NOTE 2 – Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the government. The statute requires banks eligible to hold the government's funds have a main or branch bank in the county in which the government is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the government's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The government has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State statutes require the government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%.

At December 31, 2011, the government's carrying amount of deposits was \$ 505,209 and the bank balance was \$ 509,500. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance at year end, \$ 332,952 was covered by federal depository insurance and \$ 176,548 was collateralized with securities held by the pledging financial institutions' agents in the government's name.

Custodial Credit Risk- Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 – Defined Benefit Pension Plan

Plan Description – The City of Overbrook, Kansas participates in the Kansas Public Employees Retirement System (KPERS), and the Kansas Police and Firemen Retirement System (KPEF). Both are cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Defined Benefit Pension Plan (continued)

Funding Policy – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes the KP&F member contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contributions rate be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for 2011 is 7.74%. The City of Overbrook, Kansas employer contributions to KPERS for the years ended December 31, 2011, 2010, and 2009, were \$6,735, \$4,115, and \$3,479, respectively, equal to the statutory required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2011 is 14.57%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City of Overbrook contributions to KP&F for the years ending December 31, 2011, 2010, and 2009 were \$9,749, \$9,983, \$7,761, respectively, equal to the required contributions for each year.

NOTE 4 – Risk Management

The City is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 5 – Compliance with Kansas Statutes

A violation of K.S.A.12-1608, requirement to publish the city financial statement for the year was noted, for the period under audit.

NOTE 6 – Compensated Absences

City employees receive vacation and sick leave benefits. Vacations benefits accrue on a monthly basis and an annual carryover caps the number of days transferred from year to year. Upon termination, employees are compensated for any unused vacation leave. Sick leave accrues on a monthly basis up to a maximum. Upon termination, employees are not compensated for any unused sick leave. This amount has not been recorded in the financial statements due to its immaterial nature.

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 7- Capital Projects

At year-end, capital project authorizations with approved change orders compared with expenditures from inception are as follows:

| | Expenditures <u>To date</u> | Project <u>Authorization</u> |
|------------|--------------------------------|---------------------------------|
| Sewer Line | \$ 1,784,563 | \$ 1,784,563 |

NOTE 8 – Interfund Transactions

Operating transfers were as follows:

| From | To | Statutory Authority | Amount |
|------------------|------------------------|------------------------|-----------|
| General Fund | Pool Fund | K.S.A. 79-2526 | \$ 30,000 |
| General Fund | Water/Sewer | K.S.A. 12-1,118 | 6,000 |
| General Fund | Equipment Reserve Fund | K.S.A. 12-1,117 | 9,996 |
| General Fund | Water/Sewer Reserve | K.S.A. 12-1,117 | 6,036 |
| General Fund | Park/Lake Fund | K.S.A. 79-2526 | 44,147 |
| Water/Sewer Fund | Water Grant | K.S.A. 12-825d | 16,883 |
| Water/Sewer Fund | Water/Sewer Reserve | K.S.A. 12-825d | 8,964 |
| Water/Sewer Fund | Sewer Grant | K.S.A. 12-825d | 74,004 |

NOTE 9 – Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – Subsequent Events Review

Subsequent events for management's review have been evaluated through June 4, 2012. The date in the prior sentence is the date the financial statements were available to be issued.

CITY OF OVERBROOK, KANSAS
Statement of Changes in Long-Term Debt
For the Year Ended December 31, 2011

Note 11 - Long Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2011 were as follows:

| Issue | Interest Rate | Date of Issue | Amount of Issue | Date of Final Maturity | Balance Beginning of Year | Additions | Reductions/ Payments | Net Change | Balance End of Year | Interest Paid |
|---|------------------|------------------|--------------------|------------------------------|---------------------------------|-------------------|-------------------------|------------------|---------------------------|------------------|
| Lease. Cat Skid Loader | 3.99% | 2/15/2011 | 51,186 | 2/1/2014 | \$ | \$ 51,186 | \$ 15,186 | \$ 36,000 | \$ 36,000 | \$ 0 |
| General Obligation Bonds Refunding and Improvement | 1.50-4.25% | 9/1/10 | 775,000 | 9/1/25 | 775,000 | | 60,000 | (60,000) | 715,000 | 24,228 |
| KDHE Loan: Kansas Department of Health and Environment(Waterline) | 4.15% | 2/1/03 | 160,000 | 2/1/24 | 115,114 | | 6,839 | (6,839) | 108,275 | 4,310 |
| Kansas Department of Health and Environment(Wastewater) | 3.56% | 10/22/04 | 1,060,660 | 10/22/24 | 711,056 | 114,575 | 56,942 | 57,633 | 768,689 | 16,762 |
| Total Long Term Debt | | | | | \$ 1,601,170 | \$ 165,761 | \$ 138,967 | \$ 26,794 | \$ 1,627,964 | \$ 45,300 |

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017-2021 | 2022-2026 | Total |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Principal | | | | | | | | |
| General Obligation Bonds | \$ 60,000 | \$ 60,000 | \$ 65,000 | \$ 65,000 | \$ 75,000 | \$ 315,000 | 75,000 | \$ 715,000 |
| Special Assessment Bonds | | | | | | | | |
| Certificates of Participation | | | | | | | | 0 |
| Capital Leases | 11,589 | 11,966 | 12,445 | | | | | 36,000 |
| Revenue Bonds | | | | | | | | 0 |
| KDHE Loans | 60,664 | 61,459 | 63,226 | 65,047 | 66,921 | 364,713 | 194,934 | 876,964 |
| Temporary Notes | | | | | | | | 0 |
| Total Principal | 132,253 | 133,425 | 140,671 | 130,047 | 141,921 | 679,713 | 269,934 | 1,627,964 |
| Interest | | | | | | | | |
| General Obligation Bonds | 24,229 | 21,237 | 20,188 | 18,988 | 17,526 | 56,502 | 9,564 | 168,234 |
| Special Assessment Bonds | | | | | | | | 0 |
| Certificates of Participation | 1,354 | 977 | 497 | | | | | 2,828 |
| Capital Leases | | | | | | | | 0 |
| Revenue Bonds | 23,838 | 23,045 | 21,276 | 19,456 | 17,583 | 57,800 | 8,482 | 171,480 |
| KDHE Loans | | | | | | | | 0 |
| Temporary Notes | | | | | | | | 0 |
| Total Interest | 49,421 | 45,259 | 41,961 | 38,444 | 35,109 | 114,302 | 18,046 | 342,542 |
| Total Principal and Interest | \$ 181,674 | \$ 178,684 | \$ 182,632 | \$ 168,491 | \$ 177,030 | \$ 794,015 | \$ 287,980 | \$ 1,970,506 |

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City of Overbrook, Kansas
Overbrook, Kansas 66524

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the City of Overbrook, Kansas as of and for the year ended December 31, 2011 and have issued our report thereon dated June 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Overbrook's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

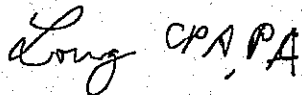
City Council
City of Overbrook, Kansas

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Overbrook's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Long CPA, PA
A Professional Association
Certified Public Accountant

June 4, 2012

